

**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF OHIO**

**FEDERAL ENERGY REGULATORY
COMMISSION,**

Plaintiff,

V.

COALTRAIN ENERGY, L.P., PETER JONES, SHAWN SHEEHAN, ROBERT JONES, JEFF MILLER, AND JACK WELLS

Defendants.

Civil Action No. 2:16-cv-732

Judge Michael H. Watson
Magistrate Judge Jolson

DEFENDANT SHAWN SHEEHAN’S MOTION FOR SUMMARY JUDGMENT

EXHIBIT A

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**Coaltrain Energy, L.P., Peter Jones,
Shawn Sheehan, Robert Jones, Jeff Miller,
Jack Wells, and Adam Hughes**

Docket No. IN16-4-000

DECLARATION OF SHAWN SHEEHAN

I, SHAWN PATRICK SHEEHAN, declare the following:

1. For over five years, Federal Energy Regulatory Commission (“FERC”) Enforcement Staff (“Staff”) has pursued me personally, claiming that I manipulated the PJM Interconnection, L.L.C (“PJM”) energy market. To support these allegations, Staff has made repeated factual errors concerning my role in Coaltrain Energy, L.P.’s (“Coaltrain”) trading activity in the PJM energy market in the summer of 2010. At every phase of this investigation, I have provided information to Staff demonstrating that I did not engage in market manipulation. Staff has consistently disregarded this information.

2. This investigation has taken a significant toll on me, both personally and professionally. The public disclosure of Staff’s allegations against me individually in the September 11, 2015 Notice of Alleged Violation and, most recently, in the Order to Show Cause and Notice of Proposed Penalty (“Order to Show Cause”) have cast a pall over my current business endeavors and have directly impacted my ability to successfully pursue new business opportunities. I have done nothing wrong and confronted with the possibility of having to pay millions of dollars in penalties and disgorgement for something I did not do, I provide this declaration to correct certain of the numerous factual errors set forth in the Order to Show Cause and Staff’s Report and Recommendation (“Report”). In support of the facts set forth below, I reference investigatory testimony taken by and documents produced to Staff in this matter.

3. To be clear, I did not intend to manipulate the PJM energy market and, in fact, I did not engage in market manipulation.

4. I worked in the wholesale energy trading space for a number of years in various capacities. After trading for several companies, I decided that I would try to start my own energy trading business. In 2006, Peter Jones, a former colleague of mine at Conectiv Energy, and I founded Energy Endeavors, LLC (“Energy Endeavors”).

5. Originally, Energy Endeavors was a company of two – Peter Jones and me. I focused on trading in the Midwest Independent Transmission System Operator, Inc. (now, Midcontinent Independent System Operator (“MISO”)) market because of my past trading experience in that market. Peter focused his efforts on trading in PJM because of his past trading experience in that market. While our success allowed us to hire additional traders, analysts and support staff, Pete and I generally maintained this division of responsibility until we decided to wind down our business.

6. I did not directly supervise Coaltrain’s trading activity in PJM in the summer of 2010 or at any other time. As a limited partner in Coaltrain and fifty percent co-owner of Coaltrain’s general partner, I had a vested interest in Coaltrain’s financial well-being. To that end, I would discuss trades with Coaltrain traders, analysts and IT staff, and even help to analyze potential trades at times.

7. I did not trade frequently in PJM during the summer of 2010. My involvement was limited to covering the market if we were short-staffed or a PJM trader was out sick.¹

8. I did not execute any Up To Congestion (“UTC”) transactions in the PJM energy market which I labeled “OCL.” While 7,700 MW of OCL trades are attributed to me in

¹ Sheehan Tr. (V. I) 51:9-14.

transaction data, these were, in fact, trades made under the “Spread” strategy. I submitted these trades on June 17, 2010.

9. Subsequently, on June 29, 2010, Robert Jones, a trader with Coaltrain, reclassified my Spread trades as OCL trades in Coaltrain’s Market Interface software. A portion of the Market Interface audit history illustrating that reclassification is provided as Exhibit SPS-1 to my declaration.

10. Staff claims that trades on the NCMPAImp-NCMPAExp and SouthImp-SouthExp paths are manipulative. I strongly disagree with this characterization, and I did not propose any of those trades in any event.

11. Staff seeks to make a big deal out of a comment I made to Adam Hughes in an IM on June 17, 2010. In response to Adam’s IM reference to the SouthImp-SouthExp path I responded “da da perfectly 0.” Staff’s contention about this IM is wrong. Contrary to Staff’s claim, I was not verifying that there was no price spread on the path or signaling my agreement that Coaltrain should trade on that path. Rather, I was expressing my surprise at the information.

12. In a September 16, 2010 IM conversation, I asked Adam Hughes whether “for profitability is there a way to link trades if they were spreads?” Staff points to this conversation as evidence of Coaltrain’s attempts “to find ways to mask the manipulative nature of their OCL Strategy trades.”² Staff’s has misrepresented my conversation with Adam. My question to Adam had nothing to do with UTCs. The spreads I was referring to were virtual spread trades, which are composed of pairs of increment offers and decrement bids. Staff’s characterization makes no sense in the context of UTCs – Coaltrain had the ability to classify UTCs as “Spread” or “OCL” in the Market Interface software beginning around June 23, 2010. There would be no need for me to ask Adam to figure out some other way to assess the profitability of UTC trades.

² Report at 62.

13. Staff's claim that Peter Jones and I withdrew \$33 million from Coaltrain's accounts to "pay" ourselves and other companies that we owned is simply not true. Foremost, Coaltrain did not generate anywhere near \$33 million in revenue over the entire timeframe that it was active in the PJM market. Peter Jones and I injected large sums of capital into Coaltrain and its affiliates in order to support trading activities. The largest of these outlays were to meet collateral requirements set by the various ISOs and RTOs in which the companies traded. The withdrawals cited by Staff in the Report predominantly reflect reallocation of capital between Coaltrain and its affiliates to cover these collateral requirements and the return of capital to Peter Jones and me when as part of the process of winding up Coaltrain.³

14. I did not conceal Coaltrain's use of Spector 360 monitoring software or the existence of information recorded by it. I do not recall ever having used Spector 360 software myself. I do not use nor have I ever purchased or authorized the purchase of Spector 360 for use at my current companies, XO Energy, LLC and its affiliates. In that context, contrary to Staff's assertion, I did not understand information recorded by Spector 360 to be "plainly responsive" to any data request prior to Enforcement Staff's July 3, 2012 Fifth Data Request to Coaltrain Energy, LP."⁴

15. Coaltrain's use of computer monitoring software was made known to FERC Staff in 2009 in filings made in Docket No. ER09-805-000. I submitted an affidavit referencing the use of such software in support of Energy Endeavors' April 3, 2009 Motion for Leave to Intervene and Protest in that docket. I did not personally search for or gather the Spector 360 data in that instance; rather, Gary Wrinn provided information to me from Spector 360. Mr. Wrinn was the member of the IT staff who was primarily responsible for the administration of

³ See COALTRAIN011829.

⁴ Sheehan Tr. (V. I) 91:19-92:23.

Spector 360. Coaltrain did not conceal the existence of Spector 360 from Staff, and in fact, we previously told them about it.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information and belief at the time of its execution.

Executed on this 4th day of MARCH, 2016.



Shawn Sheehan